AIRTEL NETWORKS ZAMBIA PLC
UNSOLICITED CREDIT RATING

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CREDIT RATING REPORT

Date of issue	:	14th April, 2025
Report validity	:	Unsolicited Rating
Prepared for	:	Airtel Networks Zambia PLC
Address	:	Airtel House Corner of Addis Ababa Drive and Great East Road, Stand 2375 P.O. Box 320001 Lusaka.
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Report prepared and published by	:	ICRA RATING AGENCY LIMITED *Corporate Office: Plot No.20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia.* *Registered Office: Plot No.20848, Corporate Park, Alick Nkhata Road, Mass Media, Lusaka, Zambia.* info@icrallc.com www.icrallc.com
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Currency used in this report	:	This report is presented in Zambian Kwacha (ZMW) unless otherwise noted.

Table 1

ICRA Assigned Rating

AAA	AA	A	BBB+	BB	B	CCC	CC	C	D

Based on ICRA National Credit Rating Scale
Table 2

RATING RATIONALE

ICRA assigned a "**BBB**" rating (unsolicited) with a "**Positive**" outlook to "**Airtel Networks Zambia PLC**" on **14th April 2025**, in the absence of any material adverse events affecting the business. The assigned rating reflects a comprehensive evaluation of the company's business model, competitive advantages, market conditions and overall financial stability which contribute to the overall creditworthiness of the company based on ICRA credit rating methodology for corporate entities. Below are the key points including credit strengths as well as credit challenges reflected in the assigned rating.

RATING STRENGTHS

Strong market position: Airtel Networks Zambia PLC holds a strong position in the Zambian telecommunications industry, benefiting from strong brand recognition, a growing subscriber base, and continued investments in network expansion. The company's market position has been reinforced by the steady increase in mobile subscriptions, which grew from 6.7m in 2020 to 10.81m in September 2024. This growth is attributed to rising demand for mobile and data services, driven by an expanding digital economy and increasing smartphone penetration.

One of Airtel Zambia's key strengths is its network coverage and technology leadership. The company has achieved significant milestones in infrastructure expansion, with its network covering 81% of Zambia's population. Moreover, 42% of its network sites are located in rural areas, which ensures that Airtel Zambia reaches underserved regions, further strengthening its market penetration.

Airtel Zambia has also established itself as a pioneer in next-generation telecommunications technology by leading the 5G rollout in Zambia. In 2023, the company launched 150 new 5G sites, making it the largest provider of 5G connectivity in the country. The introduction of 5G services is expected to enhance internet speeds, improve service quality, and cater to businesses and industries that require high-speed connectivity. While MTN Zambia and Zamtel are strong competitors in the market, Airtel Zambia's first-mover advantage in 5G and its extensive 4G coverage give it a competitive edge.

Continued healthy performance: Airtel Zambia has demonstrated a strong financial performance over the years, with consistent revenue growth, operational efficiency, and improving profitability. The company's revenue increased from ZMW 2,157.06m in 2019 to ZMW 5,715.26m in 2023, reflecting an impressive compound annual growth rate (CAGR) of 28%. This revenue growth has been fuelled by Airtel Zambia's diversified business model, which includes income from mobile voice services, data services, Airtel Money, enterprise solutions, interconnect fees, and value-added services. Alongside revenue growth, Airtel Zambia has achieved substantial improvements in operational efficiency, as evidenced by its EBITDA margin, which expanded from 49% in FY19 to 53% in FY23, underscoring effective cost management and scale-driven efficiencies. Similarly, the EBIT margin improved from 31% to 40% over the same period, indicating enhanced profitability after accounting for depreciation and amortization.The company's net profit margin also improved steadily, reaching % in 2023, with net profit rising from ZMW 15.74m in 2019 to ZMW 1,139.23m in 2023, indicating a robust ability to generate sustainable earnings despite intense market competition.

Proven track record of the Promoter Group: Airtel Networks Zambia PLC ultimately operates as a subsidiary of Bharti Airtel Limited, a globally recognized telecommunications company with operations across 17 countries in Asia and Africa. As one of the largest mobile network providers in the world, Bharti Airtel has a proven track record of operational excellence, financial strength, and technological innovation, which provides a strong foundation for its subsidiaries, including Airtel Zambia. Bharti Airtel is headquartered in New Delhi, India, and is one of the top three mobile service providers globally in terms of subscribers. It has consistently demonstrated strong financial performance, extensive network coverage, and innovative digital solutions. The company is listed on the Bombay Stock Exchange (BSE) and the National Stock Exchange (NSE) of India and has consistently maintained strong credit ratings from international rating agencies.

The parent company's financial stability and global expertise provide a competitive advantage, allowing Airtel Zambia to sustain its market leadership, invest in digital transformation, and expand its service offerings in Zambia's evolving telecom landscape.

RATING WEAKNESS

Liquidity Constraints: Airtel Zambia faces liquidity constraints, due to its high reliance on short-term debt and strained working capital position as depicted by its low current ratio. The company's current ratio stood at just 0.32x in FY23, indicating that its current liabilities far exceed its current assets, raising concerns about its ability to meet short-term financial obligations without relying on additional borrowings or operational cash flows. Furthermore, the quick ratio (0.22x) and cash ratio (0.03x) highlight a lack of readily available liquid assets, meaning that the company does not have sufficient cash reserves to cover immediate liabilities, making it dependent on the timely collection of receivables and efficient cash flow management.

The company's high dependence on short-term bank overdrafts and lease liabilities adds further pressure, as these obligations require frequent refinancing. As of December 2023, Airtel Zambia's bank overdrafts alone accounted for 17% of total liabilities, reflecting a heavy reliance on short-term funding to support day-to-day operations. Additionally, the company has significant payables to related parties, including its parent company and group affiliates, which could create further liquidity pressure if these obligations are not managed efficiently.

Despite strong revenue growth, cash flow constraints remain a key concern. While Airtel Zambia's operating cash flow (OCF) improved significantly from ZMW 715.70m in 2019 to ZMW 2,369.06m in 2023, indicating robust cash generation, much of this cash is being utilized for network expansion, debt servicing, and dividend payments, leaving limited room for liquidity improvement.

Financial risk profile: Airtel Zambia's financial risk profile remains moderate, primarily due to high leverage, rising finance costs, and liquidity pressures, despite strong revenue growth and stable profitability. Over the years, the company has relied on external borrowings to finance network expansion, digital services, and operational improvements, resulting in a significant increase in total debt. In 2023, total debt surged to ZMW 3,529.50m, up from ZMW 2,711.39m in 2022, reflecting a 30% increase in financial leverage. This rising debt burden has led to increased interest expenses and higher financial risk, as debt servicing costs continue to grow. Interest-bearing debt now accounts for 70% of the company's total liabilities, highlighting its dependence on external funding, which increases exposure to credit market fluctuations and interest rate risks.

Airtel Zambia's finance costs have surged by 55% year-on-year in 2023, reaching ZMW 428.99m, significantly impacting net profitability. A major contributor to this increase is the rising interest rates in Zambia, which have led to higher borrowing costs. Airtel Zambia's dependence on both long-term debt and short-term overdraft facilities for working capital increases its exposure to fluctuating interest rates.

Furthermore, the growing debt levels have led to a deterioration in key leverage ratios, indicating heightened financial risk. The debt-to-equity ratio (Total liabilities / Equity) surged from 5.89x in 2022 to 11.52x in 2023 and D/E adjusted (Total debt/ Equity) surged from 4.03x to 8.03x underscoring the company's heavy reliance on debt relative to its equity base. This trend suggests that debt accumulation has significantly outpaced internal capital generation, limiting financial flexibility.

Foreign exchange volatility: The Zambian Kwacha depreciated by 42% in 2023, impacting the company's cost structure as a significant portion of telecom equipment and infrastructure investments are imported. If the Kwacha continues to weaken, Airtel Zambia may face higher forex-related losses and increased debt repayment costs for any foreign-currency-denominated loans.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO AN UPGRADE

An upgrade to the assigned rating can be reviewed based on the following factors:

- Sustained growth in the scale of operations, accompanied by improved profitability, leading to enhanced cash accruals.
- Reduction and/or stability in debt levels thereby resulting in improved financial risk profile.

FACTORS THAT COULD, INDIVIDUALLY OR COLLECTIVELY, LEAD TO A DOWNGRADE

The assigned rating could further be downgraded if:

- Moderation in scale of operations and/or profitability impacting the liquidity profile.
- Adverse regulatory actions or market share loss.

CONTENTS

ICRA RATING APPROACH

SCOPE OF THE REPORT

ICRA provides an assessment of the overall business and evaluates the financial performance before assigning the final rating to the issuer. The report's objective is to offer a thorough assessment of the issuer's creditworthiness, utilizing a range of financial and non-financial elements as well as qualitative and quantitative credit analysis tools and techniques.

SOURCES OF THE INFORMATION

The unsolicited credit analysis conducted by ICRA was based on publicly available information. ICRA has not been in direct contact with the entity regarding the unsolicited rating actions. Publicly accessible data has been gathered from reputable online domains, research reports, news articles, and third-party databases. The main categories of information sources are as follows:

- Annual audited financial reports from publicly available sources such as the company website, stock exchange libraries, etc.
- Industry research articles
- News articles
- Company/Government press releases
- Third-party data providers (both paid/unpaid)

METHODOLOGY

The credit analysis is carried out based on the *'ICRA methodology for corporate credit rating'* which was designed by the in-house ICRA credit risk department. We continuously review the methodology for improvements in line with industry peers and the latest developments in the rating world.

KEY FACTORS	WEIGHTAGE
1. Internal Environment Analysis **i. Business Model/Strategy** *Product portfolio, diversification, value preposition, KPI and business risks and competition* **ii. Management Review** *Organisational structure, leadership background, talent management, succession planning, management risks and historical track records, team composition* **iii. Business Outlook** *Future business outlook, expected strategic partnerships, expansion, downsizing plans*	35%
2. External Environment Analysis **i. Industry Review** *Global and domestic industry outlook, direct and indirect impact to the business, industry risks and new trends, global and domestic economic trend* **ii. External Stakeholder Relationships** *Customer and supplier relationships, banking relationships, licensing and government regulations, auditor relationships and other external relationships, adverse news flows on the management and company, corporate social responsibility.*	25%
3. Financial Analysis **i. Financial Statement Analysis** *Profit and loss statement, balance sheet, cash flow statement, audit report, notes to financial statements, ratio analysis, key financial risks, bank credit turnover* **ii. Financial Projections/Forecast Review** *Growth drivers and underlying assumptions, accuracy, reliability and reasonableness of the forecasts, relationship with industry trends and industry averages.*	40%
Total	**100%**

Table 3

ICRA CREDIT RATING SCALE

CATEGORY	SCALE	DEFINITION
Extremely Low Credit Risk	**AAA**	The entity is in an exceptionally stable and strong position to fulfil its financial commitments. There is a zero or minimal risk of being adversely affected by foreseeable events.
Very Low Credit Risk	**AA**	The entity is in a highly stable and strong position to fulfil its financial commitments. There is a low risk of being adversely affected by foreseeable events.
Low Credit Risk	**A**	The entity is in a stable and strong position to fulfil its financial commitments. There is a marginal risk of being adversely affected by foreseeable events.
Moderate Credit Risk	**BBB**	The entity has a controllable risk level to fulfil its financial commitments. There is a moderate risk of being adversely affected by foreseeable events.
Elevated Credit Risk	**BB**	The entity has a considerable risk level to fulfil its financial commitments. There is a considerable risk of being adversely affected by foreseeable events.
Substantial Credit Risk	**B**	The entity has a high-risk level of fulfilling its financial commitments. There is a high risk of being adversely affected by foreseeable events.
Very High Credit Risk	**CCC**	The entity is in a doubtful position to fulfil its financial commitments. There is a significantly high risk of being adversely affected by foreseeable events.
Extremely High Credit Risk	**CC**	The entity is in a highly unlikely position to fulfil its financial commitments. The entity has a high vulnerability to being adversely affected by foreseeable events.
On the Verge of Default	**C**	The entity is incapable of fulfilling its financial commitments and is on the verge of default. The continuity of the business is highly doubtful.
Default Entity	**D**	The entity is already defaulted on or in the process of bankruptcy filing, liquidation, or winding up procedures.
No Rating Assigned	**NRA**	A rating has not been assigned due to insufficient information, legal or regulatory requirements, a lack of reliability of information, or a new or unique entity structure.

ICRA National Credit Rating Scale

Outlook: *(+) Positive - Entity's creditworthiness is expected to improve in the near future, potentially leading to rating upgrade.*
( ) Stable - Entity's creditworthiness is expected to remain stable in the near future, with no significant changes anticipated.
(-) Negative - Entity's creditworthiness is expected to deteriorate, potentially leading to rating downgrade.

Table 4

BUSINESS PROFILE

Airtel Networks Zambia PLC

COMPANY DETAILS	
Registered Name	Airtel Networks Zambia PLC
Mailing Address:	Airtel House, Corner of Addis Ababa Drive and Great East Road, Stand 2375, P.O. Box 320001 Lusaka.
Industry Classification	Telecom Industry
Incorporation Date	1997 (as Celtel Zambia PLC)
Regulatory Body:	Zambia Information and Communications Technology Authority (ZICTA)
Listed Exchange	Lusaka Stock Exchange
Market Cap (As on 31st January 2024)	ZMW 4,524m
Website:	https://www.airtel.co.zm/

Table 5

CAPITAL DETAILS (As on 31st December 2023)	
Authorised Capital:	ZMW 150,000,000
Issued Capital:	ZMW 104,000,000
Paid-Up Capital:	ZMW 104,000,000

Table 6

SHAREHOLDING PATTERN (As on 31st December 2023)	
Name of Shareholders	**% of shareholding / No. of Shares held**
Bharti Airtel Zambia Holdings BV	96.13%
Public (institutions and individual investors)	3.87%
Total Shares/ total shareholding %	**100.00%**

Table 7

Share price movement between October 2024 to April 2025:

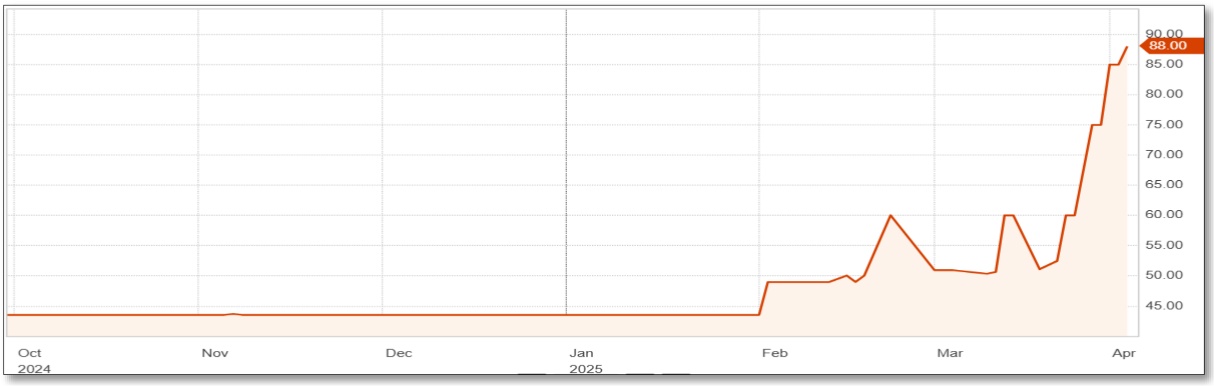

Exhibit 1

COMPANY BACKGROUND

Airtel Networks Zambia plc is one of the leading telecommunications providers in Zambia, delivering a broad portfolio of prepaid and postpaid mobile services, high-speed internet connectivity, and enterprise solutions. Airtel Zambia is a subsidiary of the Bharti Airtel Limited ("Bharti Airtel"). Bharti Airtel is a leading global telecommunications company with operations in 17 countries across Asia and Africa. Headquartered in New Delhi, India, the company ranks amongst the top 3 mobile service providers globally in terms of subscribers. Airtel Zambia serves a diverse customer base, including individual consumers, corporate entities, and small and medium-sized enterprises (SMEs), offering reliable communication solutions tailored to meet their needs.

Airtel Zambia was originally incorporated in 1997 under the brand name Celtel, marking its entry into the Zambian telecommunications market as one of the first private mobile service providers. The company quickly expanded its network, increasing mobile penetration and accessibility across the country.

- **2008**: Celtel rebranded to Zain after its acquisition by the Kuwait-based Zain Group.
- **2010**: Bharti Airtel acquired Zain's African operations, leading to the rebranding of Zain Zambia to Airtel Zambia.

Since its rebranding, Airtel Zambia has consistently invested in modernizing its network, expanding coverage, and introducing new technologies to meet the evolving needs of customers. The company has played a crucial role in driving the country's digital transformation through the rollout of 3G, 4G, and now 5G networks, enabling better connectivity, faster internet speeds, and improved communication infrastructure.

The company's 4G network covers 81% of the population, and 42% of its sites are located in rural areas. Airtel Zambia launched 150 new 5G sites in 2023, making it the largest 5G network provider in the country. The company also deployed an additional 1,000 km of fibre-optic infrastructure to improve network resilience and meet increasing data demands. Airtel Zambia's customer base has grown from 6.7m in 2020 to 10.81m in September 2024, demonstrating its ability to attract and retain customers.

Awards and recognition

- **ZICTA Inaugural ICT, Postal, and Courier Awards 2023**
  - **Model Corporate Citizen Award** – For compliance with statutory and regulatory requirements.
  - **Digital Disruptor Award** – Awarded for driving digital transformation and innovation in Zambia.

- **Marketing and Digital Excellence Awards**
  - **Best Brand Campaign of the Year** – For the My Airtel App campaign.
  - **Best Digital Campaign of the Year** – For digital marketing initiatives.
  - **Best Digital Media Campaign** – Recognizing Airtel's excellence in online engagement.
  - **Best Digital Platform** – Awarded for the My Airtel App's impact on customer convenience.
- **Advertising and Public Relations Awards**
  - **Radio Advertisement of the Year** – For the Airtel Money Fraud Awareness Campaign.
  - **TV Advertisement of the Year** – For the My Airtel App promotional campaign.
  - **Best Public Relations Campaign** – For Airtel's sponsorship of The Voice Africa.
- **Corporate Communication and Reporting Awards**
  - **Best Publication of the Year** – For the Airtel Zambia Annual Report 2023.

BUSINESS MODEL/BUSINESS PROFILE REVIEW

The company's business model focuses on providing affordable and accessible telecommunication services to the Zambian market. Airtel Zambia operates under a diversified business model designed to cater to individual consumers, corporate clients, and small to medium enterprises (SMEs). The company's core business segments include mobile and data services, financial services through Airtel Money, and enterprise solutions for businesses. By leveraging its extensive network infrastructure, digital platforms, and financial technology services, Airtel Zambia continues to expand its market reach and improve customer engagement.

Revenue Model:

Airtel Zambia generates revenue through multiple streams, with voice services, including prepaid and postpaid mobile calls, being a primary contributor. Airtime (calling) and data revenue together make up 90.7% of the company's total revenue. In addition to these core services, Airtel Zambia earns revenue from Airtel Money, interconnect fees, and value-added services (VAS), such as digital content subscriptions, SMS-based services, and mobile entertainment.

1. **Voice Services:** Prepaid and postpaid mobile call services remain a significant revenue generator. The widespread adoption of mobile phones in Zambia ensures a steady demand for voice services.

2. **Data Services:** The rapid increase in smartphone penetration and internet usage has driven substantial growth in data revenue. 4G and 5G network expansions have enabled Airtel Zambia to offer high-speed internet access, catering to the rising demand for streaming, online applications, and digital content.
3. **Airtel Money:** Airtel Money is a crucial revenue stream, facilitating financial inclusion and providing convenient transaction services. Revenue is generated through transaction fees, bill payments, money transfers, and merchant services.
4. **Enterprise Solutions:** Providing dedicated connectivity solutions such as leased lines, VPNs, and cloud services to businesses. These services cater to the growing demand for reliable and secure communication infrastructure among corporate clients.
5. **Interconnect Fees & Roaming:** Airtel Zambia earns from interconnection charges with other network providers and roaming services.
6. **Value-Added Services (VAS):** Digital content subscriptions, SMS-based services, mobile entertainment, and other VAS contribute to the company's revenue diversification. These services enhance customer engagement and provide additional revenue streams.

Competitive Position:

Zambia's telecommunications industry is highly competitive, with Airtel Zambia, MTN Zambia, and Zamtel being the dominant players. Airtel holds a strong market position, benefiting from its extensive coverage, innovative product offerings, and strategic investments in network expansion. As of December 31, 2023, Airtel Zambia's customer base had grown by 11% year-on-year, reaching approximately 10.22m subscribers out of this, 6.8m users (66.6% of total customers) were active data subscribers. This growth reflects the increasing demand for mobile and data services, as well as Airtel's continued efforts in enhancing customer experience through improved network quality.

- **MTN:** As one of Airtel Zambia's biggest rivals, MTN has a strong market presence with a robust subscriber base. The company continuously invests in expanding its network infrastructure, particularly in rural and underserved areas, and has a significant footprint in mobile money services.
- **Zamtel:** A state-owned operator, Zamtel focuses on providing affordable telecom solutions, particularly targeting government institutions and the public. It holds a smaller market share but benefits from state support and strategic partnerships.
- **Zedmobile:** A new entrant in the telecommunications industry, they are working to establish themselves and increase their customer base. Although it currently has a limited footprint, its focus on digital transformation could pose a future challenge to established players.

PRODUCTS AND SERVICES

Airtel Zambia provides a range of telecommunication products and services, including:

1. **Mobile and Data Services**: Airtel Zambia offers 2G, 3G, 4G, and 5G services to support internet connectivity and communication. It offers various data bundles, and airtime packages, to cater to a very wide range of customers.
2. **Airtel Money**: A mobile money service that allows users to conduct transactions, including bill payments, money transfers, airtime purchases and merchant payments. Airtel money is a large competitor in the mobile money sector.
3. **Enterprise Solutions**: Airtel Zambia provides tailored enterprise solutions to meet the specific needs of businesses. These solutions include dedicated internet access, leased lines, VPNs, cloud services, and unified communication platforms.
4. **My Airtel App**: This digital platform "My Airtel App" empowers customers to manage their accounts, purchase airtime and data bundles, make payments, and access various services. The app enhances customer convenience and provides a seamless digital experience.
5. **eSIM Technology**: Airtel Zambia recently introduced eSIM services in Zambia to provide an alternative to physical SIM cards. This eSIM technology provides customers with a convenient alternative to traditional physical SIM cards. Also, this is a solution to ZICTA 707 for instant inhibition of frauds.
6. **VoLTE and HD Calls**: Airtel launched Voice over LTE (VoLTE) technology to improves call quality and provides high-definition (HD) voice calls. This technology enhances the overall communication experience.

CUSTOMERS

Airtel Networks Zambia plc sells its products and services to across the country. The customers base compress both i.e. personal/individuals and corporate clients also. As on 30th September 2024, Airtel Zambia's customer base stands at 10.81m.

SUPPLIERS

Airtel Zambia operates a complex supply chain that involves multiple stakeholders, including technology providers, financial institutions, infrastructure vendors, and regulatory bodies.

MANAGEMENT OVERVIEW

MANAGEMENT TEAM

Airtel Zambia demonstrates strong management quality under the leadership of Hussam Baday (Managing Director) and Samir Waman (Finance Director), who drive operational excellence and strategic decision-making. Their leadership emphasizes achieving market leadership while delivering value to both customers and shareholders. As a subsidiary of Bharti Airtel, Airtel Zambia benefits from the strategic support and global expertise of its parent company. This includes access to advanced technologies, cost optimization practices, and a shared vision for digital inclusion. Such backing ensures the local management team can implement world-class solutions, such as 4G and 5G network expansion, while maintaining a strong foothold in the market. The management team's success is reflected in several key milestones, including surpassing 10 million customers, achieving market-leading 4G coverage, and launching 5G services to enhance connectivity and competitiveness.

Hussam Baday – Managing Director

Hussam Baday has experience in telecommunications, commercial strategy, and digital transformation. He holds a Master of Business Administration (MBA) from the University of Leicester (UK) and a Bachelor of Science (BSc) in Electronics and Communications Engineering. He also completed a Professional Diploma from The Chartered Institute of Marketing (UK) and a certification in Behavioural Economics from Harvard Business School. In 2023, he was appointed Managing Director of Airtel Networks Zambia Plc, after serving as Chief Commercial Officer from 2021 to 2023 and Marketing Director from 2018 to 2021. Before joining Airtel, he was Chief Marketing Officer at Sudatel Telecom Group (STG) and held senior positions at Ericsson and Huawei in Sudan, as well as a technical consultancy role in Pakistan. He is involved in industry forums as an Advisory Board Member at CMO-Council Africa, Executive Director for Airtel Zambia Telesonic, Chairperson of GSMA-Z, and Co-Chair for the ICT, Digitization, and Media Technical Working Group (TWG) for the Public-Private Dialogue Forum (PPDF).

Samir Waman - Finance Director

Samir Waman is a highly experienced finance professional with expertise in financial management, risk control, and strategic financial planning. He holds a Chartered Accountant (CA) certification and has extensive experience in financial reporting, budgeting, and cost management. Before joining Airtel Zambia as Finance Director, Samir held key leadership roles in financial strategy and operations at Bharti Airtel and other multinational telecom companies.

BOARD OVERVIEW

Katebe Monica Musonda – Board Chairperson

Katebe Monica Musonda has over 16 years of post-qualification experience as a dual-qualified English solicitor and Zambian advocate. She holds a Bachelor of Laws (LL.B) from the University of Zambia and a Master of Laws (LL.M) from the University of London. Her career includes roles at Clifford Chance, Edward Nathan, the International Finance Corporation (IFC), and the Dangote Group. She currently serves as Board Chairperson for Airtel Networks Zambia Plc and Zambian Breweries, as well as holding non-executive directorships at Zambeef Plc, Dangote Industries Zambia Limited, and Mixta Plc. She is a member of the Advisory Board of Affirmative Finance Action for Women in Africa (AFAWA) under the African Development Bank, focusing on financial inclusion for women entrepreneurs. She has received recognition for her work, including the 2017 African Agribusiness Entrepreneur of the Year Award and the 2021 Leading Agribusiness Entrepreneur of the Year Award from the Zambia Association of Manufacturers. She is also part of the Young Global Leaders program (World Economic Forum) and is an Archbishop Desmond Tutu Leadership Fellow.

Lynda Mataka – Board Director

Lynda Mataka is a seasoned legal practitioner with over 20 years standing at the Zambian Bar and has had vast experience in Corporate Law. She holds a Master of Law Degree in International Business Law, a Postgraduate Diploma in Legislative Drafting and a Bachelor of Law Degree from the University of Zambia. She is currently a partner in the firm of TMS Legal Practitioners. Lynda has expertise in mergers and acquisitions and financial sector regulations. Prior to joining private practice, she worked for the Ministry of Justice as a senior Legislative Draftsperson and the Bank of Zambia where she served as an Inspector for Non-Bank Financial Sector Regulation and Senior counsel Advisory for Bank Secretariat. Lynda currently serves as an Independent Non-executive Director at the Industrial Development Corporation. She is also an Independent Non-executive Director at Dangote Cement and Independent Non-executive Director at Access Bank Botswana.

CORPORATE GOVERNANCE

The Airtel Zambia complies with the Securities Exchange rules, the LuSE Corporate Governance Code for listed and quoted companies, and the Companies Act.

The Board of Directors of Airtel Zambia plays a crucial role in overseeing the company's governance practices. The board consists of six directors, including independent, non-executive, and executive members. The composition is as follows:

1. **Katebe Monica Musonda** (Independent Director/Chairperson) – Member of Audit and Remuneration Committee (REMCO)
2. **Monica Kambo** (Non-Executive Director) – Member of Audit and REMCO
3. **Lynda Mataka** (Independent Director) – Member of Audit and REMCO
4. **Apoorva Mehrotra** (Non-Executive Director) – No committee membership
5. **Jaideep Paul** (Non-Executive Director) – Member of Audit Committee
6. **Hussameldin Baday** (Executive Director/Managing Director) – No committee membership.

The Audit Committee, which composed of four board members, provides oversight of the company's financial reporting, internal control systems, and risk management processes. The Audit Committee also held four meetings during the year. However, audit committee meeting attendance is not showing attendance of all committee members.

Airtel Zambia has a Code of Conduct and Anti-Bribery & Anti-Corruption Policy that sets out the standards for ethical behaviour and interactions with stakeholders. The company has developed an effective monitoring mechanism to enforce these policies and ensure compliance across the organization.

MACRO ENVIRONMENTAL ANALYSIS

COUNTRY RISK ANALYSIS, ZAMBIA

Political landscape

Zambia gained independence from British colonial rule in 1964 and has since maintained a stable democratic government with three arms: the executive, legislature, and judiciary. The country has a multi-party system and a liberalized economy. The President serves as both head of state and government, elected by direct vote for a five-year term, with a maximum of two terms. The current President, Hakainde Hichilema, was elected in August 2021.

Zambia is a landlocked, resource-rich sparsely populated country in Southern Africa. It shares its border with eight countries namely Angola, Botswana, Democratic Republic of Congo, Malawi, Mozambique, Namibia, Tanzania, and Zimbabwe. It is a member of the Africa regional groupings namely SADC and COMESA. The official local currency is the Zambian Kwacha (ZMW), and the capital city is Lusaka.

Legal Environment

The constitution is the supreme law of the country from which all other laws and regulations are derived. Generally, there is observance of the rule of law in Zambia. Notable however is that court cases sometimes can take a long time to conclude and there are reported cases of politically exposed people (PEPS) acting without regard for the law. Judicial reforms have been initiated to address such concerns including the establishment of the financial crimes court in 2022 and enhancing law enforcement.

Demographic Landscape

Zambia is one of the world's youngest countries by median age. Its population, much of it rural with rapid urbanization, is estimated at about 19. 6m with a growth rate of 2.7% per year. Life expectancy is short, estimated at 64.96 years. (World Bank, 2025). The literacy rate stands at 88% of the adult population at end of 2020. The IMF noted that there is low labour productivity on account of low skills and capacity.

Natural and Operating Environment

The country has enjoyed a stable tropical savannah environment for decades. Lately, however, there have been natural calamities such as droughts, floods, army worm invasions and break outs of diseases (both for humans and animals) that have brought devastating impacts on both the environment and the economy.

Zambia is also a member of various international organizations including the UN system, World bank, IMF, AU among others. It has also signed important international agreements such as relating to combating money laundering, financing terrorism, combating proliferation, human trafficking and climate change. Zambia adheres religiously to these protocols.

Macroeconomic Developments and Outlook

Currently, macroeconomic conditions in Zambia have deteriorated due to the impact of a drought in 2024. The drought has led to increased hours of power blackouts and in turn adversely impacted economic activity.

GDP Growth

Owing to the drought, annual GDP growth for 2024 has been revised downwards to 1.2% from the earlier 2.3 % reflecting contractions in the agriculture and energy sectors, and subdued performance in administrative and support services, despite some gains in mining.

Growth prospects for the 2025-2027 period however remain optimistic. GDP growth is projected at 6.6% in 2025, 5.9% in 2026 and 5.6% in 2027, (BoZ, National Symposium on the 2025 National Budget, 2025). This optimistic outlook assumes increased mining production, effective implementation of reforms, restoration of debt sustainability, and normalization of rainfall patterns.

Inflation Outturn

The Bank of Zambia (BoZ) annual inflation target is between 6% and 8%. In 2024, annual inflation stood at 16.7% well above the target range and is projected at 13.9% in 2025 and 10.8% by end June 2026 (Bank of Zambia, 2025). The major factors attributed to the high inflation were higher maize and fuel prices, increase in electricity tariffs and the exchange rate depreciation.

Exchange Rate Depreciation and Volatility

The Zambian currency (ZMW), the Kwacha is subject to wild swings against major convertible currencies namely, the USD, the Swiss Franc, The South African Rand and the Euro. The ZMW depreciated by about 7.74% in 2024 and by about 42.4% in 2023 against the USD. The ZMW depreciated by 6.0% in Q3/24 compared to 4.9% in Q2/24 against a basket of currencies of the major trading partners, (BoZ, National Symposium on the 2025 National Budget, 2025). Currency depreciation is a major source of inflation in Zambia as the country is import dependent.

Trade Performance

After a trade deficit in 2023, the current account recovered into surplus in Q2/24 thanks to increased grants from cooperating partners, remittances, and reduction in imports. The current account surplus expanded to USD 0.19 bn (2.7% of GDP) by end Q3/24 from USD 0.04 bn (0.6 % of GDP) in Q2/24, (BoZ,2025). The projection for 2025 and 2026 is more optimistic at USD 1.5bn (5.6% of GDP) and USD 2.3 bn (8.4% of GDP), respectively. This is based on the projected faster growth in exports relative to imports.

Fiscal Performance

The Zambian National budget has run fiscal deficits for decades on account of low revenue performance. The budget deficit for 2024 stands at 2.7% of GDP and is projected at 3.1 % of GDP for 2025, (MoFNP, 2025). Risks to the medium-term fiscal outlook remain tilted to the upside based on lower copper prices associated with weaker global demand, adverse effects of geopolitical tensions on energy and food prices, depreciation of the exchange rate, and constrained production and hydropower generation.

International Reserves

Gross official international reserves were sufficient at USD 4.15bn by the end of September 2024, covering more than 4.6 months of projected imports (USD3.91bn at the end of June 2024) (MoFNP,2025), largely because of project disbursements from the World Bank and revenues from mining taxes. Additionally, the central bank's gold purchases/holdings totalled USD 217.2m as at Q3/24 since it began purchasing gold locally in December 2020 (BoZ, 2024).

Interest Rates

Interest rates remain high in Zambia with commercial banks' average nominal lending rate on locally denominated loans at 28.4% at the end of September 2024. This makes credit expensive for businesses and consumers negatively impacting economic activity and GDP growth. In the medium term, lending rates are expected to remain elevated premised on the anticipated tight monetary policy stance to curb rising inflationary pressures in the country.

Zambia's Debt Position

Zambia's public debt remains high at over 127% of GDP in 2023 and at USD 26.67bn as at the date of this report, (MoFNP, 2025). Zambia became the first African country to default on its foreign debt in November 2020. In June 2023, the Ministry of Finance and National Planning reached preliminary agreements with its official creditors, including China to restructure its debt. As of 22nd January 2025, Zambia had agreed to restructure 90% of its debt stock with its creditors. Zambia's public debt is sustainable, but the country remains at high risk of overall and external debt distress.

IMF ECF Programme

Zambia is currently on an IMF Extended Credit Facility (ECF) programme. In December 2024, the IMF disbursed SDR 139.88 m (about USD 184m), bringing total disbursement to SDR 992.86m (about USD 1.3bn). The program seeks to entrench macroeconomic stability, attain debt and fiscal sustainability, enhance public governance, and foster inclusive growth. The IMF assessed the Zambian Government performance under the programme as satisfactory, (IMF, 2024).

Financial Sector Performance and Stability

Zambia's banking sector has adequate liquidity, profitability, and capitalization. Primary and total regulatory capital adequacy ratios were above the minimum regulatory requirements of 5% and 10%, respectively (BoZ, 2024). Asset quality was also satisfactory. Risks to financial system stability are on an upward trend on account of reduced economic activities due to drought, low financial intermediation, sovereign-bank nexus, concentration of banks' loans and deposits, dollarization of loans, as well as maturity mismatches. Further, inflation, higher geopolitical tensions, and higher exchange rate volatility represented other sources of financial instability. Despite the elevated risks, the banking sector remained resilient. Noteworthy is that the financial system in Zambia remains underdeveloped when measured using the Financial Development Index (FDI) compiled by the World Bank, (World bank, 2025).

Conclusion

Zambia's political landscape is generally stable. Economic risks have risen lately, driven by a high debt burden, fiscal deficits, a decline in copper prices and adverse effects of the drought. Social risks are also a concern, with elevated levels of poverty, inequality, and unemployment. The country's healthcare and education systems are underdeveloped with limited access to basic services.

ICRA is of the view that Zambia poses a moderate risk. The government has shown commitment to economic recovery and in dealing with shocks, which is further evidenced by the IMF ECF programme currently in place.

INDUSTRY RISK OVERVIEW

TELECOMMUNICATION INDUSTRY

The telecommunications industry plays a critical role in global connectivity by facilitating communication through wired, wireless, and satellite networks. It serves as the backbone for various sectors, including finance, healthcare, education, and entertainment, ensuring seamless data transfer and real-time interaction across the world.

The industry operates through a combination of infrastructure and service providers that enable voice, data, and video transmission. Its primary components include:

- **Network Infrastructure Providers**: Companies that develop and maintain the physical infrastructure, such as fibre-optic cables, cell towers, and undersea cables. Major players include Huawei, Nokia, and Ericsson.
- **Service Providers**: Telecom operators like AT&T, Verizon, Vodafone, and Airtel that offer mobile, broadband, and fixed-line services to consumers and businesses.
- **Equipment Manufacturers**: Companies like Cisco, Qualcomm, and Samsung that produce routers, switches, and semiconductors required for network operations.

The telecommunications industry is undergoing rapid transformation, adapting to evolving consumer demands and technological advancements. It remains essential to digital infrastructure, playing a key role in shaping the future of global connectivity.

GLOBAL OVERVIEW

The global telecommunications industry continues to evolve, driven by technological advancements, shifting consumer behaviour, and policy changes. As we enter 2024-25, key trends such as the expansion of 5G, increased mobile broadband penetration, and a growing focus on digital inclusion are shaping the landscape. As per Deloitte's "2025 global telecommunications outlook report", the telecommunications industry is expected to have revenues of about US$1.53 trillion in 2024, up about 3% over the prior year.

The telecom ecosystem comprises multiple interconnected segments. Mobile services, including voice, messaging, and high-speed data (3G, 4G, and 5G), remain dominant. However, the demand for bandwidth-intensive applications has fuelled a resurgence in fixed broadband, particularly Fiber to the Home (FTTH). While traditional fixed voice services continue to decline, they maintain relevance in select markets. Enterprise solutions tailored for businesses and satellite services catering to remote regions further diversify the industry landscape.

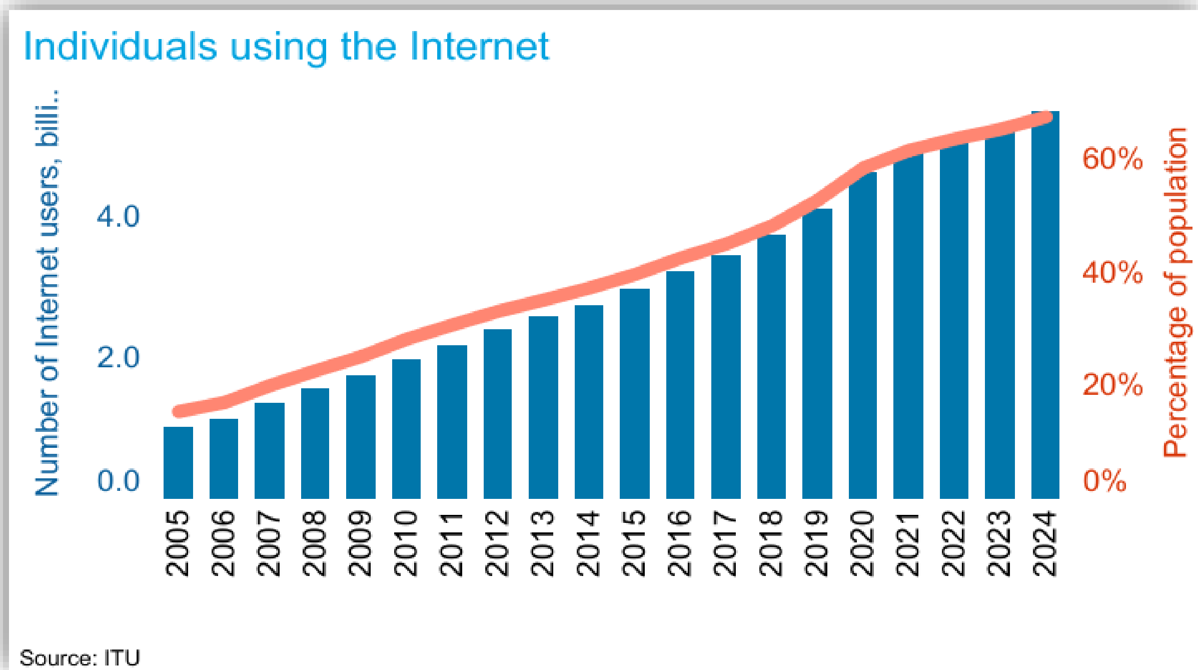

Exhibit 2

According to the International Telecommunication Union (ITU), global mobile subscriptions reached 8.6 billion by Q3 2023, surpassing global population figures in several developed nations and expanding rapidly in emerging markets. Although 4G remains the dominant mobile technology, accounting for approximately 55% of subscriptions, the 5G revolution is progressing swiftly. ITU projections indicate that 5G subscriptions will exceed 1.6 billion by the end of 2023, with the technology poised to become the primary mobile standard by 2028, transforming connectivity worldwide.

The fixed broadband segment is equally dynamic. ITU data shows that global fixed broadband subscriptions reached 1.4 billion by Q3 2023, reflecting the growing reliance on high-speed internet. FTTH leads this growth, comprising over 60% of new subscriptions, driven by rising demand for enhanced speed and bandwidth.

The global telecommunications industry stands positive, characterized by rapid technological advancements and an ever-increasing demand for connectivity. While the sector is expected to continue its growth trajectory, driven by innovations such as 5G and fibre-optic networks, several challenges persist like intense competition and pricing pressure, capital expenditure (CapEx) demands, regulatory complexity, geopolitical and supply chain risks.

Despite these challenges, the industry is forecasted to expand at a Compound Annual Growth Rate (CAGR) of 3-5% from 2024 to 2028, with market size projected to exceed $2 trillion by 2028. 5G services are expected to be the primary growth driver, unlocking new revenue streams from enhanced mobile broadband, fixed wireless access, and a range of enterprise applications.

REGIONAL OVERVIEW

As of 2023, approximately 60% of Africa's population had access to mobile broadband services, though network quality varies across regions. While 4G coverage is expanding, 3G remains the dominant technology in many countries. The adoption of 5G is still in its early stages, with only a handful of nations implementing commercial services. Affordability remains a key issue, as data costs are high compared to average incomes, limiting widespread adoption.

Fixed broadband infrastructure is underdeveloped due to high deployment costs and geographical challenges. Most African countries rely on mobile networks for internet access, resulting in lower speeds and higher congestion. Efforts are being made to expand fibre-optic networks to improve connectivity, particularly in urban areas. International investments and government policies are playing a crucial role in enhancing telecom infrastructure and bridging the digital divide.

The cost of mobile internet in Africa remains higher than in other regions. Mobile broadband prices account for 4.2% of gross national income (GNI) per capita, compared to the global average of 1.1%. Fixed broadband services are even less affordable, costing 13.4% of GNI per capita. These high costs limit access to digital services for many individuals and businesses.

Despite these challenges, Africa’s telecom industry is poised for growth, supported by increasing smartphone penetration, mobile financial services, and regulatory efforts aimed at expanding digital access. The ongoing deployment of undersea cables and satellite internet solutions, such as Starlink, is expected to further improve connectivity in underserved regions.

DOMESTIC OVERVIEW

Zambia’s telecommunications sector, regulated by the Zambia Information and Communications Technology Authority (ZICTA), has witnessed substantial growth. As of 2024, the country recorded over 10.81 million mobile subscribers, with Airtel Zambia holding the largest market share, followed by MTN Zambia and Zamtel. Mobile penetration exceeds 100%, indicating widespread multi-SIM usage. Internet penetration is also on the rise, with approximately 11 million users increasingly demanding high-speed data. The introduction of 5G by Airtel and MTN has further enhanced connectivity, while mobile money platforms like Airtel Money and MTN Mobile Money continue to drive financial inclusion.

The Zambian telecom market is primarily driven by mobile services, including voice, SMS, and mobile data. Fixed-line penetration remains low, a trend observed across much of Africa, whereas mobile broadband is experiencing significant expansion. The competition among leading operators—MTN Zambia, Airtel Zambia, and the state-owned Zamtel—has intensified, resulting in competitive pricing, improved network coverage, and innovative service offerings, benefiting consumers through lower costs and greater service options. According to the Zambia Development Agency (ZDA), by 2023, the ICT sector, heavily driven by telecommunications, contributed 2.7 percent to the country's Gross Domestic Product (GDP). This highlights the sector's increasing importance to the national economy.

Following are few important facts and figures from the International Telecommunication Union (ITU) site (numbers are as of 2023):

- Mobile broadband penetration in Zambia stood at 60 subscriptions per 100 people, reflecting the country's growing reliance on mobile networks for internet access.
- Internet usage among individuals was 33%, significantly below the global average of 67%, indicating a substantial gap in digital adoption.
- Mobile phone ownership was 62.8%, showing a reliance on basic connectivity services despite the availability of advanced mobile technologies.
- Fixed broadband traffic averaged 2.99K GB per subscription, much lower than mobile broadband data consumption, further emphasizing the country's dependence on mobile networks.

The outlook for Zambia's telecommunications sector is shaped by ongoing investments in network expansion, regulatory developments, and the increasing demand for digital services. Mobile broadband will continue to be the dominant form of internet access, with further growth expected in 4G adoption. Efforts to introduce 5G technology may emerge in the coming years, depending on market readiness and infrastructure investments. Improvements in affordability are likely to come through policy interventions and competition among service providers. Regulatory measures aimed at reducing the cost of internet services and increasing consumer protection could support wider digital adoption.

Overall, Zambia's telecommunications sector is positioned for gradual expansion, with opportunities for growth in mobile broadband, financial technology, and digital services. However, addressing challenges related to affordability, infrastructure development, and digital literacy will be essential to ensuring sustainable progress in the industry.

EXTERNAL RELATIONSHIPS

BANKING RELATIONSHIPS

As per FY2023 audited financials, Airtel Networks Zambia PLC has following banking relationship and term loan debts.

Bank Name	Outstanding balance as on 31st December 2023
First National Bank Zambia PLC	40,000.00
Standard Chartered Bank Zambia PLC	190,000.00
Stanbic Bank Zambia Limited	400,000.00
ABSA Bank Zambia PLC	400,000.00
International Finance Corporation	260,250.00
Access Bank Zambia Limited	172,552.00
TOTAL	**1,462,802.00**

Table 8

Apart from term loan, company has following overdraft facilities (figures are as on 31st December 2023):

Bank Name	Overdraft Limits	Interest rate
Citibank Zambia Limited	$ 12 million	MPR+ liquidity premium + 1.5%
Standard Chartered Bank Zambia PLC	$ 1 million	MPR + 9%
ABSA Bank Zambia PLC	K 50 million	MPR + liquidity premium + 2.05%
Stanbic Bank Zambia Limited	K 200 million	MPR +liquidity premium + 1.5%
Ecobank Zambia Limited	K 250 million	MPR +5%
Indo Zambia Bank Plc	K 200 million	MPR +5%
Zambia National Commercial Bank Plc	K 300 million	MPR +5.35%

Table 9

EXTERNAL AUDITOR DETAILS

Auditor Name	Messrs Deloitte & Touche
Latest Financials	Year ending 31st Dec-2023
Audit Report Date	28th February 2024
Audit Opinion	Unqualified

Table 10

ICRA RATING ISO 9001 : 2015

ADVERSE MEDIA CHECK

ICRA has done the adverse media of Airtel Zambia and has come across following information on ZICTA website. ZICTA has given notice to Airtel Zambia for data outage on 02nd February 2025 and asked to compensate with ZMW 4.00m. However, this amount is not significant and will not materially affect the company.

ZICTA

Public Notice

February 4, 2025

Airtel Data Service Outage on Sunday February 2, 2025

The Zambia Information and Communications Technology Authority (ZICTA) is concerned with the continued service disruptions on Airtel network, particularly the February 2, 2025 outage which impacted data services in Lusaka, Southern, Western, Central and Eastern Provinces.

As a result of this data service outage which lasted over three (3) hours, the Authority has directed Airtel Networks Zambia Plc (Airtel) to:

1. compensate all affected consumers during Sunday February 2, 2025 data outage in line with the Consumer Protection Guidelines. The estimated total value of the compensation is K4,000,000.
2. fast-track the upgrade of its network infrastructure, particularly at its critical data centres to improve network resilience by February 28, 2025; and
3. put in place mechanisms aimed at resolving the recurring network outages and to strictly adhere to the Consumer Protection Guidelines

ZICTA remains committed to protecting the interests of consumers and ensuring reliable communication services. The Authority assures the public that corrective measures are being undertaken to prevent future occurrences.

ISSUED BY:

Hanford Chaaba (Mr.)
Manager Corporate Communications

Exhibit 3

FINANCIAL ANALYSIS

The credit rating of Airtel Zambia is conducted on an unsolicited basis, utilizing publicly available information from reliable sources. For financial analysis, ICRA typically considers five years of audited annual financial statements from 31-Dec-2019 to 31-Dec-2023 along with interim financials up to the latest nine months till 30-Sep-2024. Hence, the same approach is followed for Airtel Zambia.

INCOME STATEMENT

Annual Performance

Performance Analysis					
ZMW'000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Revenue	2,157,061	2,605,621	3,581,816	4,451,255	5,715,262
OPEX	1,495,188	1,886,230	2,328,253	2,658,742	3,440,177
EBITDA	1,050,832	1,137,195	1,760,135	2,382,942	3,041,660
EBIT	661,873	719,391	1,253,563	1,792,513	2,275,085
Net Profit	15,743	(340,558)	693,293	921,484	1,139,233

Table 11

Airtel Zambia has demonstrated strong revenue growth over the past five years, with revenue rising from ZMW 2,157.06m in FY19 to ZMW 5,715.26m in FY23, reflecting a compounded annual growth rate (CAGR) of 28%. The company's primary revenue streams continue to be airtime and data services, which accounted for approximately 91% of total revenue in FY23. The expansion of its customer base by 11.2% to 10.2m, with data subscribers making up 67% of the total, has been a key growth driver. Further, its ARPU (Average Revenue Per User) is increased from ZMW 489.15 in FY22 to ZMW 560.32 in FY23. Additionally, Airtel Zambia has strengthened its distribution network, achieving a 39% increase in exclusive outlets and a 13% rise in multi-brand retail points. Total Minutes of Use (MOU) grew by 22% in 2023 compared to 2022, reflecting higher customer engagement. These factors contributed to an increase in total operating revenue to ZMW 5,715.26m in FY23, up from ZMW 4,451.26m in FY22, representing a 28% year-on-year growth. However, "Other Operating Revenue" saw a sharp rise, reaching ZMW 75.33m in FY23 from ZMW 0.84m in FY22.

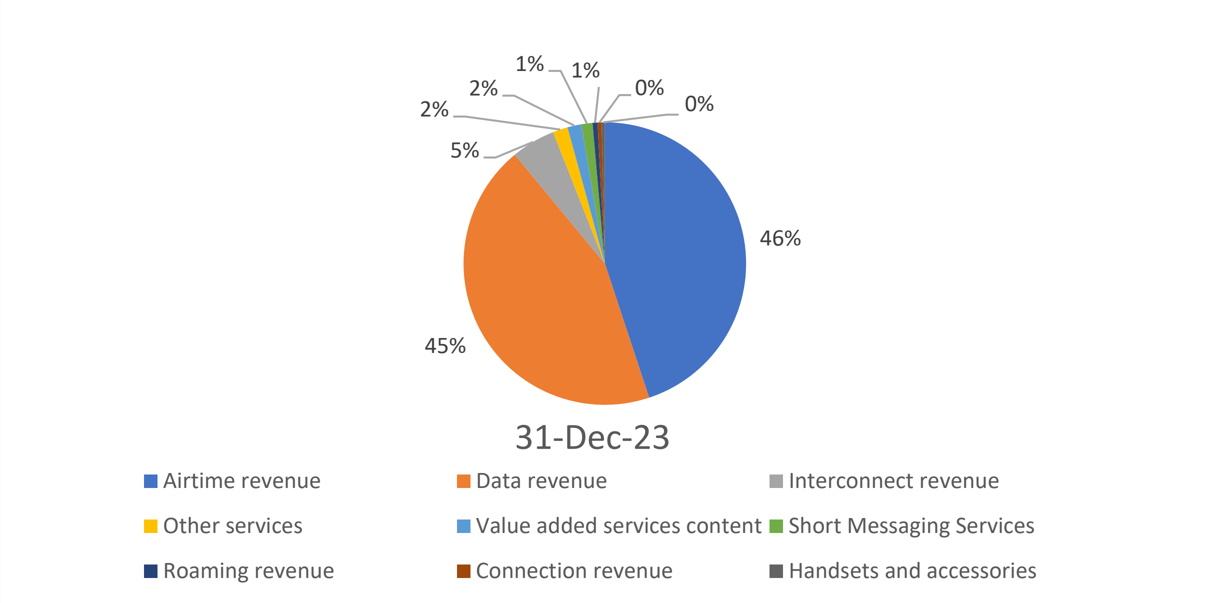

Exhibit 4

Operating expenses have shown a consistent upward trajectory, rising to ZMW 3,440.18m in FY23 from ZMW 1,495.19m in FY19. The increase has been primarily driven by higher sales and marketing expenses, employee benefit costs, and depreciation, which together accounted for approximately 48% of total operating costs in FY23. Additionally, network operating expenses, access charges, and licence/spectrum fees contributed around 36% to the cost structure. While impairment losses on financial assets in FY22 and FY23 were not material in absolute terms, their recurring presence signals potential concerns around credit risk exposure.

EBITDA has shown a steady upward trend, reflecting the company's ability to generate cash flow from its operations. This is a crucial indicator of financial health and the capacity for investments and debt repayment. Airtel Zambia's EBITDA has increased from ZMW 1,050.83m in FY19 to ZMW 2,382.94m in FY22 and further to ZMW 3,041.66m in FY23 showing 28% y/y growth and CAGR of 30% during FY19-23. Aligned with EBITDA growth, the operating profit has surged by 244% over the past five years, increasing from ZMW 661.87m in FY19 to ZMW 2,275.09m in FY23.

The company's financial health was severely impacted during the COVID-19 period in FY20 due to significant exchange losses of ZMW 768.30m, primarily driven by the depreciation of the Kwacha. This resulted in a net loss of ZMW 340.56m, a sharp contrast to the marginal profit of ZMW 15.74m in FY19. However, the financial rebound in FY21 was substantial, as revenue surged by 38% y/y to ZMW 3,580.39m, and in FY22 company the reported a net profit of ZMW 693.29m vis-à-vis a net loss of ZMW 340.56m in FY21, aided by a favourable foreign exchange gain of ZMW 72.01m.

Finance costs continue to represent a substantial burden, accounting for roughly 8% of total operating revenue and comprising interest on both lease liabilities and bank debt. In FY23, these costs experienced a significant increase of 55%, reaching ZMW 428.99m, primarily due to higher debt servicing obligations. This was further compounded by a 30% rise in interest-bearing debt during the same period, which has intensified the financial strain. Moreover, the ratio of finance costs to average debt has steadily increased from 9% in 2019 to 14% in 2023, indicating escalating borrowing expenses. Despite these challenges, Airtel Zambia has maintained a strong performance, with net profits climbing to ZMW 1,139.23m in FY23, reflecting a consistent upward trend since FY21.

Interim Performance:

ZMW (Mn)	H1FY23	H1FY24	9MFY23	9MFY24
Total Revenue	2,615	3,172	4,133	5,044
Operating Profit	976	1,105	1,643	1,795
Finance & Forex Costs	264	431	400	561
Profit (Loss) Before Tax	712	674	1,243	1,234
Income Tax Expense	242	247	436	435
Profit After Tax (PAT)	470	427	807	799

Table 12

The company publishes interim financials on a quarterly basis, providing limited line items on key financial statements. Unlike the detailed analysis conducted for annual performance, ICRA does not delve deeply into interim results due to the limited information available. However, these figures are reviewed to assess the company's recent performance trends.

For H1FY24, Airtel Zambia reported total revenue of ZMW 3,172m, representing a 21% year-on-year (YoY) growth from ZMW 2,615m in H1FY23. This expansion is largely attributed to a 10% YoY increase in its customer base to 10.47m subscribers, coupled with rising data usage.

By 9MFY24, total revenue reached ZMW 5,044m, reflecting a 22% YoY increase from ZMW 4,133m in 9MFY23. Customer base is also increased to 10.81m subscribers, this suggests that Airtel Zambia is on track to surpass its previous full-year revenue performance, assuming the current momentum continues in the final quarter. the company's 9MFY24 revenue already accounts for 88% of total revenue for FY23 (ZMW 5,715.26m). Given this trend, Airtel Zambia is well-positioned to register record-high revenue figures for FY24.

Operating profit for H1FY24 stood at ZMW 1,105m, reflecting a 13% YoY increase from ZMW 976m in H1FY23. By 9MFY24, operating profit had further improved to ZMW 1,795m, up from ZMW 1,643m in 9MFY23, marking a 9% YoY increase. This indicates continued operational efficiency despite mounting cost pressures.

However, net profitability has come under strain due to rising finance and foreign exchange costs. The H1FY24 PAT declined by 9% YoY to ZMW 427m, whereas in 9MFY24 PAT was reported at ZMW 799m, marginally lower than ZMW 807m in 9MFY23, indicating that increasing finance costs have eroded the net earnings growth.

This decline in net profit is primarily driven by a sharp rise in finance and forex costs, which surged by 63% YoY in H1FY24, increasing from ZMW 264m in H1FY23 to ZMW 431m. By 9MFY24, finance costs had further risen to ZMW 561m, compared to ZMW 400m in 9MFY23, reflecting a 40% YoY increase.

Conclusion:

Airtel Zambia has continued to demonstrate robust revenue growth, operational efficiency, and market expansion, maintaining a steady increase in topline performance and EBITDA generation. The company has successfully leveraged a growing customer base and rising data consumption to drive revenue, while strategic investments in distribution channels have strengthened customer engagement.

However, rising finance and foreign exchange costs present a major challenge to overall profitability. The 63% YoY surge in finance costs in H1FY24 and the 40% YoY increase in 9MFY24 highlight growing financial strain, limiting net profit growth despite strong operational performance. If this trend continues, full-year net profit may remain stagnant or decline even as revenue and operating profit continue to grow. Despite these challenges, the company remains well-positioned to surpass its previous annual revenue figures, with 9MFY24 revenue already accounting for 88% of FY23’s total revenue.

Based on the company's resilient operational performance, steady revenue growth, and strong market position, ICRA assesses Airtel Zambia’s overall risk profile as moderate. While rising finance and foreign exchange costs present challenges, the company's ability to sustain consistent EBITDA generation and topline expansion provides stability, mitigating some of the financial pressures.

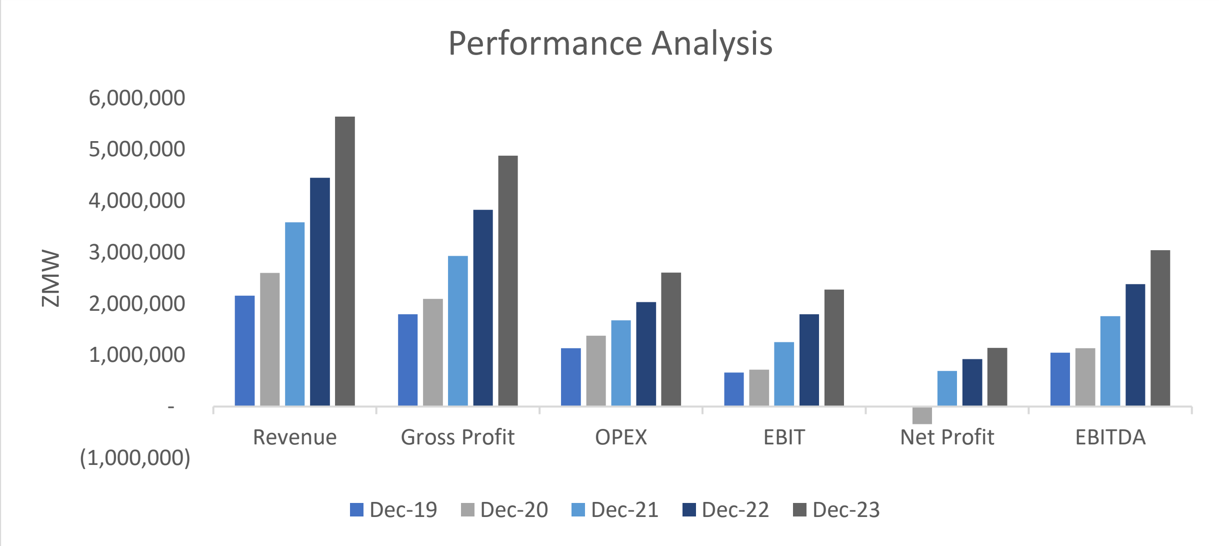
Performance Analysis
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
-
(1,000,000)
ZMW
Revenue
Gross Profit
OPEX
EBIT
Net Profit
EBITDA
Dec-19
Dec-20
Dec-21
Dec-22
Dec-23

Exhibit 5

BALANCE SHEET ANALYSIS

Financial Position Analysis					
ZMW' 000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Total Non-Current Assets	2,338,111	2,886,969	3,008,060	3,849,244	4,533,059
Cash & Cash Equivalent	29,325	66,137	41,507	116,339	81,191
Total Current Assets	367,779	529,585	390,166	791,855	971,157
Net Worth	-39,288	-379,846	313,447	673,331	439,764
Total Long-Term Debt	1,468,353	1,578,092	1,171,432	1,332,352	1,825,861
Total Non-Current Liabilities	1,468,353	1,578,092	1,177,990	1,450,294	2,060,812
Total Short-Term Debt	553,194	973,739	671,891	1,379,042	1,703,640
Total Current Liabilities	1,276,825	2,218,308	1,906,789	2,517,474	3,003,640

Table 13

ASSETS

During the review period (from FY19 to FY23), the company's total assets have expanded significantly at a CAGR of 19%, this suggests continued investments in infrastructure, technology, or spectrum purchases which is important for telecom company.

Property, Plant, and Equipment (PPE) forms a significant portion of Airtel Zambia's assets, primarily comprising telecom equipment, leasehold improvements, and office infrastructure. In FY23 PPE accounted 50% of total assets i.e. ZMW 2,754.98m. out of this ZMW 2,754.98m PPE, telecom equipment's amounted to ZMW 2,581.04m which is almost 84% of total PPE. This shows how heavily and strategically company is investing.

Capital Work in Progress (CWIP) refers to the capital expenditures incurred on assets that are still under construction or not yet ready for use. In accounting terms, CWIP represents ongoing projects and is recorded as an asset on the balance sheet. Airtel Zambia's CWIP increased from ZMW 83.61m in FY19 to ZMW 185.55m in FY22, reflecting higher capital investment in network expansion. However, in 2023, CWIP slightly declined to ZMW 151.79m. Airtel Zambia, continuous investment in CWIP signifies a commitment to network expansion, 5G deployment, and digital transformation

Similarly, the Right of Use (ROU) assets accounts to 11% of FY23 total assets, there ROU assets include leased infrastructure such as network towers & office spaces, and are a vital part of the financial structure, allowing Airtel Zambia to expand operations, lease critical infrastructure, and manage costs effectively.

Intangible assets play a vital role in the long-term success of a telecom company, particularly in areas such as spectrum licenses, proprietary software, and brand reputation. For Airtel Zambia, the continuous expansion of intangible assets underscores its strategic focus on digital transformation, network enhancement, and 5G deployment, reinforcing its position as a market leader. Since 2019, Airtel Zambia has witnessed a substantial increase in its intangible assets, growing from ZMW 3.18m to ZMW 725.51m by FY23. This remarkable growth has been largely driven by significant investments in new spectrum acquisitions, particularly in FY22 and FY23, which have strengthened the company's network capacity and service quality. Airtel Zambia secured 10MHz in the 800MHz band and 50MHz in the 2600MHz band in July 2022, marking a major step toward enhancing network coverage, capacity, and internet speeds. Additionally, the company further expanded its spectrum portfolio by acquiring an additional 40MHz in the 2600MHz band in November 2022.

The current assets which are contributing 18% to FY23 total assets, have shown significant changes over the years. One of the most notable changes in the company's current assets is the sharp increase in inventories, which grew to ZMW 34.62m in FY23, marking a significant rise of 553% from the previous year. This suggests that Airtel Zambia has been stocking up on essential telecom equipment, including mobile phones, SIM cards, and other network-related items. Further, the most striking change is in receivables from related parties, which spiked from ZMW 139.86m in FY19 to ZMW 345.56m in FY23, indicating increased intercompany transactions. Out of this ZMW 345.56m, 74% receivables are outstanding with Bharti Airtel (UK) Limited (32%), Airtel Malawi plc (23%), Airtel Africa Telesonic Limited (18%). In contrast, trade receivables from external parties declined by 6% in FY23 to ZMW 180.05m, primarily due to a shift in credit policies and stricter collection efforts. However, credit risk remains elevated as 59% of trade receivables exceed 60 days, significantly above the company's 30-day average credit period. Additionally, 98% of these overdue receivables fall under expected credit loss (ECL) provisioning, reflecting prolonged collection cycles and heightened counterparty risk.

Aging Bucket - As on 31st December 2023							
Days	**Not Past Due**	**<30**	**31-60**	**61-90**	**91-120**	**>120**	**Total**
Trade Receivables	38,927	28,441	6,050	1,749	2,209	1,02,674	180,050
%	22%	16%	3%	1%	1%	57%	100%

Table 14

Contract assets have grown steadily, while the appearance and significant growth of Derivative financial instruments i.e. from ZMW 6.75m in FY19 to ZMW 152.53m n FY23, this suggest that Airtel Zambia is actively managing its financial risks related to foreign exchange fluctuations.

Over the years, cash levels have fluctuated, but they have generally stayed within a reasonable range when compared to total assets. Whereas compared to total current assets, cash and cash equivalents have shown varying trends. In December 2019, cash made up 7.97% of total current assets, rising to 12.49% in December 2020, which further increased to 14.69% in FY22, the highest level recorded during this period. However, in December 2023, this proportion dropped to 8.36%, reflecting a shift in cash utilization.

EQUITY

Moving to the equity position, Airtel Zambia reported negative net worth in FY19 and FY20, with figures of ZMW -39.29m and ZMW -379.85m, respectively. However, from FY21 onwards, the company's net worth turned positive, primarily driven by a significant increase in retained earnings.

In FY23, equity declined by 35%, from ZMW 673.33m in FY22 to ZMW 439.76m, primarily due to dividend payouts. The company declared a final dividend of ZMW 572.00m for 2022 and an interim dividend of ZMW 800.80m for 2023, leading to a direct reduction in retained earnings. This is a key concern that total dividends during the period exceeded the total profit for the year, contributing to the decline in net worth. Additionally, the company has demonstrated a consistent trend of distributing the majority of its profits as dividends, with limited reinvestment into the business through internal funding, which may impact long-term financial flexibility and growth prospects.

LIABILITIES

The company's total liabilities have increased substantially over the years, from ZMW 2,745.18m in FY19 to ZMW 5,064.45m in FY24, reflecting an overall increase of 184%. This rise is seen across both non-current liabilities (140%) and current liabilities (235%) during the review period.

The total non-current liabilities for the year 2023 stand at ZMW 2,060.81m, which accounts for 41% of total liabilities, indicating that a significant portion of the company's obligations are long-term in nature. The biggest contributor to this category is long-term bank borrowings, which surged from ZMW 500.25m in FY22 to ZMW 1,060.16m in FY23, reflecting a 112% increase. This indicates that the company has taken on substantial additional debt.

On the other hand, current liabilities reached ZMW 3,003.64m, contributing to 59% of total liabilities, showing that the company also has a substantial volume of short-term financial commitments. The largest contributor in current liabilities is bank overdrafts which accounts for 17% of total liabilities and 29% of total current liabilities. This bank overdrafts have increased from ZMW 764.41m in FY22 to ZMW 879.71m in FY23, a 15% rise, suggesting a growing reliance on short-term financing for liquidity needs. Lease liabilities within current liabilities also grew significantly with a 48% increase, jumping from ZMW 284.63m to ZMW 421.30m.

Total debt (borrowings + lease liabilities) increased from ZMW 2,711.4m in FY22 to ZMW 3,529.5m in FY23, this higher financial leverage, which could limit future borrowing capacity and increase financial risk. However, it is noteworthy that Airtel Zambia has not breached any loan agreements during review period, indicating compliance with debt covenants and a managed financial position despite the increased leverage.

Following is Airtel Zambia's debt profile (as on 31st December 2023):

Term Loan:

Bank	Outstanding Amount (ZMW '000)	Interest Rate	Maturity
First National Bank Zambia PLC	40,000.00	Monetary Policy Rate (MPR) + 7%	36 months
Standard Chartered Bank Zambia PLC	190,000.00	MPR + 4%	3 months from drawdown
Stanbic Bank Zambia Limited	400,000.00	MPR + Liquidity Premium + 1.50% / 8.5% + 5.5%	March 20, 2025
Absa Bank Zambia PLC	400,000.00	MPR + 4.75%	36 months, semi-annual payments
International Finance Corporation	260,250.00	Fixed 18.5%	96 months
Access Bank Zambia Limited	172,552.00	MPR + 4.75%	36 months, semi-annual payments

Table 15

Overdraft:

Bank	Overdraft Limit	Interest Rate
Citibank Zambia Limited	USD 12 million	MPR + Liquidity Premium + 1.5% Margin
Standard Chartered Bank Zambia Plc	USD 1 million	MPR + 9%
Absa Bank Zambia Plc	ZMW 50 million	MPR + Liquidity Premium + 2.05%
Stanbic Bank Zambia Limited	ZMW 200 million	MPR + Liquidity Premium + 1.5%
Ecobank Zambia Limited	ZMW 250 million	MPR + 5%
Indo Zambia Bank Plc	ZMW 200 million	MPR + 5%
Zambia National Commercial Bank Plc	ZMW 300 million	MPR + 5.35%

Table 16

Debt maturity profile:

ZMW in Mn	Lease Liabilities*	Bank Overdrafts	Term Loans	Total
Less than 1 Year	547.58	879.71	402.64	1,829.93
Between 1 & 2 Years	393.14	-	692.28	1,085.42
Between 2 & 5 Years	322.81	-	302.81	625.62
Over 5 Years	287.23	-	65.06	352.29
Total	**1,550.76**	**879.71**	**1,462.80**	**3,893.26**

Table 17

** Undiscounted lease liabilities.*

Overall, the liabilities side of Airtel Zambia's balance sheet indicates a company that is heavily leveraged, with a significant reliance on both long-term and short-term debt as 70% total liabilities consist of interest-bearing debt. The growth in liabilities is likely financing the company's expansion and infrastructure development. However, the substantial fluctuations in net worth and the increasing debt levels raise concerns about the company's long-term financial stability.

Interim Performance:

ZMW (Mn)	9MFY23	9MFY24	Full FY23
Total Non-Current Assets	4,479	4,666	4,533
Total Current Assets	1,024	1,091	971
Net Worth	431	448	440
Total Non-Current Liabilities	2,107	1,318	2,061
Total Current Liabilities	2,965	3,991	3,004

Table 18

Airtel Zambia's financials for 9MFY24 reflect a continuation of its investment-led growth strategy, accompanied by evolving liability dynamics and modest net worth accretion.

As of FY23-end, company reported total non-current assets of ZMW 4,533m, which further increased to ZMW 4,666m in 9MFY24. This steady growth reflects ongoing investments in property, plant, and equipment (PPE), intangible assets, and network infrastructure. Current assets also improved from ZMW 971m in full year FY23 to ZMW 1,091m in 9MFY24, albeit modestly, suggesting adequate management of working capital requirements.

The company's net worth remained relatively stagnant at ZMW 440m in FY23 and ZMW 448m in 9MFY24, following ZMW 431m in 9MFY23. Despite stable operating scale, internal accruals have been limited, and profitability has not translated into tangible net worth enhancement. Continued dividend distributions have constrained retained earnings and prevented capital build-up, which is critical for balance sheet resilience, particularly in a capital-intensive sector like telecom.

Airtel Zambia's liability mix reveals a shift in funding strategy. Total non-current liabilities reduced from ZMW 2,061m in FY23 to ZMW 1,318m in 9MFY24, suggesting a conscious deleveraging of long-term borrowings, which is a credit positive. However, this has been accompanied by a sharp increase in current liabilities, which rose from ZMW 3,004m in FY23 to ZMW 3,991m in 9MFY24. The increase of nearly ZMW 1 billion within nine months indicates growing reliance on short-term funding sources, raising concerns over liquidity pressure.

Conclusion:

As per FY23-end balance sheet, over 70% of total liabilities comprised interest-bearing debt, reflecting a moderately leveraged profile. The rising proportion of short-term obligations, in conjunction with flat net worth and ongoing dividend payouts, weakens the capital structure and limits financial flexibility. While asset growth supports long-term revenue generation, the current funding strategy characterized by higher short-term borrowing and constrained reinvestment which elevates financial risk. Although the leverage position remains within a manageable range, ICRA notes emerging pressures, and continues to view Airtel Zambia's financial risk profile as moderately leveraged with an increasing trend.

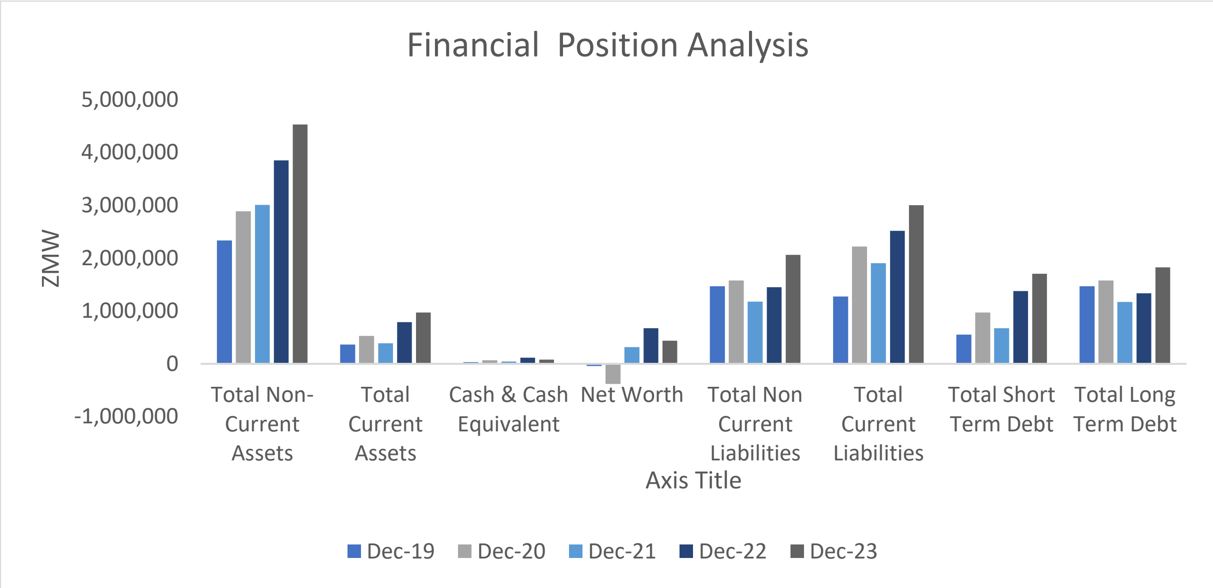

Exhibit 6

CASH FLOW ANALYSIS

Cash Flow Analysis					
ZMW '000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Net Operating Cash Flow	715,701	1,425,866	1,275,231	1,601,956	2,369,060
CAPEX	(470,293)	(614,963)	(555,698)	(711,149)	(1,043,817)
Net Investing Cash flows	(457,189)	(614,412)	(707,539)	(1,167,382)	(1,276,033)
Proceeds from borrowings	636,250	36,418	240,000	71,0250	990,000
Repayment of borrowings	(708,875)	(384,437)	(403,494)	(413,818)	(357,448)
Net Financing Cash Flow	(384,192)	(726,331)	(647,240)	(889,863)	(1,506,829)

Table 19

Net cash from operations (CFO) represents the cash generated from a company's core business activities, excluding financing and investing transactions. It is a key indicator of financial health, reflecting how well a company generates cash to sustain operations, invest in growth, and meet obligations. During the FY19 to FY23 review period, the Airtel Zambia's net cash from operations has been increased at a CAGR rate of 35% which is from ZMW 715.70m in FY19 to ZMW 2,369.06m in FY23.

This growth in cash generation was primarily driven by the company's profit before income tax of ZMW 1,770.46m, which was further adjusted with other expenses. The company recognized an impairment loss of ZMW 13.38m on trade receivables, indicating a credit risk on outstanding payments from customers. In addition, net exchange losses of ZMW 76.41m were reported, reflecting the impact of currency fluctuations on financial transactions.

The changes in working capital continued to exert downward pressure on operating cash flows in FY23, resulting in a net outflow of ZMW 216.16m. This was primarily attributed to an increase in inventory levels, amounting to ZMW 29.32m, which indicates either an accumulation of stock in response to anticipated demand or delays in distribution stemming from supply chain constraints. Additionally, there was a rise of ZMW 41.12m in other current and non-current assets. The decline in other liabilities by ZMW 78.24m further contributed to the strain on cash flow, reducing the overall cash cushion available. These pressures were partially mitigated by a modest increase of ZMW 9.94m in trade and other payables, offering limited support to the working capital position. Overall, the movement in working capital underscores the company's tighter liquidity environment.

Cash flows from investing activities have remained consistently negative, reflecting Airtel Zambia's ongoing commitment to capital expenditure, particularly in property and equipment. In FY23, the company reported a net cash outflow of ZMW 1,276.03m, primarily driven by the purchase of property, plant, and equipment amounting to ZMW 1,043.82m. This underscores the company's focus on expanding its network infrastructure and upgrading technological capabilities. An additional ZMW

232.99m was allocated towards intangible assets, likely tied to spectrum rights or licenses essential for service continuity and growth.

The CAPEX-to-operating cash flow (OCF) ratio stood at approximately 44% in FY23, consistent with the previous year. This stable ratio highlights that a substantial portion of internally generated cash is being reinvested into the business. While this supports long-term operational capacity and competitiveness, it also constrains short-term financial flexibility, particularly in terms of debt servicing and shareholder returns.

In FY23, the company recorded net cash outflows of ZMW 1,506.83m from financing activities, primarily driven by significant cash outlays. The most notable among these was the dividend payment of ZMW 1,372.80m, reflecting a strong commitment to shareholder returns but exerting considerable pressure on liquidity. Additionally, the company made lease liability repayments totalling ZMW 337.59m and interest payments on borrowings amounting to ZMW 303.49m, further contributing to the cash drain.

These outflows were partially offset by proceeds from borrowings of ZMW 990.00m, indicating a continued reliance on external funding to support operational and capital needs. Despite this inflow, the overall impact of financing activities resulted in a net decrease in cash and cash equivalents by ZMW 413.80m, reflecting tightened liquidity amid aggressive capital allocation and shareholder distribution.

Conclusion:

While Airtel Zambia's operating cash flows have demonstrated a consistent upward trajectory over FY19 to FY23—providing internal support for its capital expenditure plans—the company's overall liquidity profile remains structurally weak. Despite the robustness in OCF generation, the business has witnessed sustained net cash outflows over the past three fiscal years, culminating in a continued negative cash and cash equivalents position as of FY23-end.

ICRA views the cash flow position as stressed, with ongoing cash burn despite healthy operating surpluses, highlighting persistent liquidity pressures. This trend raises material concerns about the company's ability to comfortably service its debt obligations and meet other financial commitments, especially in the absence of stable access to external funding. The prolonged negative net cash position, even after accounting for overdraft facilities, underscores constrained financial flexibility and reflects the urgent need for disciplined cash flow management and prudent capital allocation going forward.

RATIO ANALYSIS

PROFITABILITY ANALYSIS

Profitability Ratios					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Operating Profit Margin	31%	28%	35%	40%	40%
EBITDA Margin	49%	44%	49%	54%	53%
Net Profit Margin	1%	-13%	19%	21%	20%
Return on Equity (%)	-40%	90%	221%	137%	259%
Return on Assets (%)	1%	-10%	20%	20%	21%
Return on Capital Employed (%)	46%	60%	84%	84%	91%
Operating CF Margin (%)	42%	61%	42%	46%	50%

Table 20

The profitability ratios of Airtel Zambia reflect a consistent improvement in operating efficiency and earnings quality over the review period. The company's Operating Profit (EBIT) margin improved from 31% in FY19 to 40% in FY23, supported by strong revenue growth, disciplined cost control, and scaling of operations. This upward trend underscores the company's ability to generate robust cash flows from core operations despite rising input costs and network-related expenditures.

EBITDA also remained healthy, expanding from 49% in FY19 to 53% in FY23, reflecting effective management of overheads and growing economies of scale. The improvement in operating profitability highlights the company's strong execution capabilities and its resilient business model amid a capital-intensive operating environment. Sustained margin levels over the past three fiscal years signal stability in earnings and provide financial flexibility for meeting debt obligations and funding ongoing investments.

The net profit margin, which had turned negative in FY20 due to significant exchange losses and elevated finance costs, has demonstrated a strong recovery from FY21 onwards. Margins have remained stable at 20% in FY22 and FY23, reflecting the company's resilience and improved profitability profile. While the 55% year-on-year increase in finance and foreign exchange costs in FY23, accounting for 11% of operating revenue, may exert some pressure on future profitability, the company's ability to maintain steady margins despite rising leverage and financial costs is noteworthy. ICRA views the sustained margin performance as a credit positive, although the impact of increasing financial risk on profitability will continue to be a key monitorable.

After FY20 hit, the Return on Equity (ROE) surged to 90% in FY21 and further to 221% in FY22. The most recent figure of 259% in FY23 suggests strong value creation for shareholders. The sharp increase in ROE also indicates that the company has been able to generate higher profits relative to its equity base, though the sustainability of such high returns depends on the management of external financial risks.

The sharp rise in ROE is partly attributable to a lower equity base, likely impacted by dividend payouts, in addition to improved earnings.

Return on assets (ROA) follows a similar pattern, turning negative in FY20 due to losses before rebounding in 2021 to 20%. The company has maintained a stable ROA of around 20% in the last three years, suggesting that its asset utilization has remained efficient. The latest figure of 21% in 2023 indicates that despite the challenges posed by rising finance costs, the company continues to generate strong returns from its asset base.

Return on Capital Employed (ROCE) is a crucial profitability ratio for assessing how efficiently Airtel Zambia is utilizing its capital to generate operating profits. Given that the telecom sector is highly capital-intensive, with substantial investments in network infrastructure, spectrum, and technology upgrades, ROCE provides insight into how well these investments are translating into earnings. Airtel Zambia's ROCE has shown a strong upward trajectory, improving from 46% in 2019 to 91% in 2023. This consistent rise indicates that the company has been increasingly effective in generating returns from the capital deployed in its operations.

LIQUIDITY ANALYSIS

Liquidity Ratios					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Current Ratio (times)	0.29x	0.24x	0.20x	0.31x	0.32x
Quick Ratio (times)	0.18x	0.15x	0.11x	0.17x	0.22x
Cash Ratio (times)	0.02x	0.03x	0.02x	0.05x	0.03x

Table 21

The current ratio, which measures the company's ability to cover short-term liabilities with its current assets, has remained below 1.00x throughout the period, indicating that current liabilities exceed current assets. While this is common in telecom companies due to the heavy reliance on debt financing and ongoing capital expenditure requirements, a current ratio of 0.32x in FY23.

The quick ratio, which excludes inventory and considers only the most liquid assets, follows a similar pattern. It declined from 0.18x in FY19 to a low of 0.11x in FY21, before recovering to 0.22x in FY23. A quick ratio below 1.00x suggests potential liquidity constraints, meaning the company may struggle to meet short-term obligations without relying on additional financing or cash inflows from operations.

Similarly, the cash ratio, which is the most stringent measure of liquidity as it considers only cash and cash equivalents, has remained low throughout the period. After peaking at 0.05x in FY22, it declined to 0.03x in FY23. This implies that the company holds minimal cash reserves relative to its current obligations, reflecting a continued preference to reinvest operational surpluses into network and infrastructure development rather than maintaining large cash buffers.

Airtel Zambia's liquidity profile remains constrained, with current liabilities consistently surpassing current assets and key liquidity ratios staying below comfort levels. While there has been marginal improvement since FY21, the company continues to rely heavily on operational cash flows rather than liquid reserves. The negative cash position at FY23-end, highlights limited liquidity buffer. Rising finance costs and debt servicing requirements further strain available resources. ICRA notes this liquidity structure at moderate levels.

EFFICIENCY ANALYSIS

Efficiency Ratios					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Average Collection Period (Days)	10	7	5	6	5

Table 22

On operational efficiency matric, ICRA's analysis has primarily focused on the average collection period due to limitations in publicly available financial details. The absence of explicit figures for the cost of sales has prevented a comprehensive evaluation using standard efficiency metrics like the average payment period and inventory turnover ratios.

The trend in Airtel Zambia's average collection period is positive, demonstrating an improvement from 10 days in FY19 to a more robust 5 days in FY23. This contraction indicates enhanced management of receivables, supported by a relatively lower proportion of trade receivables relative to the company's expanding revenue base.

However, a closer examination reveals that trade receivables from external parties experienced a 6% decline in FY23, settling at ZMW 180.05m. Despite this improvement in the overall collection period, the underlying credit risk remains a concern. As of December 31, 2023, a significant 59% of the total receivable's portfolio was overdue by more than 60 days, substantially exceeding Airtel Zambia's standard 30-day credit term. Furthermore, a substantial 98% of these protracted receivables are subject to expected credit loss (ECL) provisioning, signalling potentially extended collection cycles and an elevated level of counterparty risk.

LEVERAGE ANALYSIS

Leverage Ratio					
	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Debt-to-equity Ratio (times)	-69.87x	-9.99x	9.84x	5.89x	11.52x
OCF to Debt Ratio (times)	0.35x	0.56x	0.69x	0.59x	0.67x
Equity Ratio (times)	-0.01x	-0.11x	0.09x	0.15x	0.08x
Debt Ratio (times)	0.75x	0.75x	0.54x	0.58x	0.64x
Debt to EBITDA (times)	1.92x	2.24x	1.05x	1.14x	1.16x
Debt to Equity Adjusted (times)	-51.45x	-6.72x	5.88x	4.03x	8.03x
Interest Coverage Ratio (Times)	3.60x	3.38x	5.63x	6.46x	5.30x

Table 23

Leverage ratios help assess Airtel Zambia's ability to manage its debt obligations and its financial risk exposure. The key indicators in this analysis include the debt-to-equity ratio, OCF (operating cash flow) to debt ratio, equity ratio, debt ratio, debt-to-EBIT ratio, adjusted debt-to-equity ratio, and interest coverage ratio.

The debt-to-equity ratio, which measures the proportion of debt financing relative to shareholder equity, has experienced extreme volatility over the years. In FY19 and FY20, the ratio was negative (-69.87x and -9.99x, respectively), which indicates that Airtel Zambia had negative equity, meaning its liabilities exceeded its assets, this primarily due to accumulated losses. However, the ratio turned positive in FY21 (9.84x) and fluctuated to 5.89x in FY22 before rising again to 11.52x in FY23. This increase suggests that the company has been relying more on debt financing compared to equity. However, it is also driven by reduced net worth following dividend payouts exceeding annual net profit.

The Equity Ratio (Net Worth/Total Assets) mirrors the Debt-to-Equity Ratio. In 2019 and 2020, the ratio is not meaningful due to negative equity. In FY21t stood at 0.09x and improves to 0.15x in 2022. However, it drops to 0.08x in 2023, suggesting a decrease in equity relative to assets.

The debt-to-EBITDA ratio, which indicates the number of years required to repay debt using current earnings, rose to 2.24x in FY20 from 1.92x in FY19, reflecting a temporary increase in debt levels relative to operating profits. However, the ratio improved notably to 1.05x in FY21 and remained broadly stable at 1.16x in FY23. This trend suggests that Airtel Zambia is generating adequate earnings to service its debt obligations, with the current levels indicating moderate leverage relative to its cash-generating capacity.

Moving to the OCF to Debt Ratio (Operating Cash Flow/Total Debt), Positive trend observed with some fluctuations. In 2019, it's 0.35x, meaning the company's operating cash flow covered 35% of its total debt. This improves to 0.56x in 2020 and 0.69x in 2021, showing increasing ability to service debt with operating cash. It dips slightly to 0.59x in 2022 but recovers to 0.67x in 2023. These figures, while improving, highlight that Airtel Zambia is still reliant on more than just operating cash to cover their debt.

ICRA notes Airtel Zambia's elevated leverage position, which reflects increased financial risk, particularly in the context of a modest equity base and ongoing capital expenditure requirements. While the company has demonstrated consistent debt servicing ability, the high reliance on borrowings underscores vulnerability to cash flow volatility. Sustained improvement in internal accruals will be critical to ease pressure on the capital structure, reduce dependence on external funding, and preserve financial flexibility over the medium term.

ANNEXURES

INCOME STATEMENT

Statement of Profit and Loss					
ZMW '000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Revenue	2,154,318	2,598,305	3,580,387	4,450,420	5,639,928
Other Operating Revenue	2,743	7,316	1,429	835	75,334
Total Operating Revenue	2,157,061	2,605,621	3,581,816	4,451,255	5,715,262
Gross Profit/(Loss)	**2,157,061**	**2,605,621**	**3,581,816**	**4,451,255**	**5,715,262**
Network Operating Expenses	(361,415)	(510,839)	(650,827)	(624,144)	(835,309)
Sales & Marketing Expenses	(136,958)	(218,110)	(355,684)	(474,850)	(602,696)
Employee Benefit Expenses	(149,143)	(203,403)	(231,203)	(253,763)	(277,123)
Depreciation on property & equipment	(388,959)	(417,804)	(506,572)	(590,429)	(766,575)
Other Expenses	(212,078)	(282,457)	(295,959)	(377,225)	(537,901)
Impairment loss on financial assets				(3,369)	(13,377)
Access charges	(138,004)	(130,626)	(131,072)	(159,692)	(197,973)
Licence fee/spectrum usage charges	(108,631)	(122,991)	(156,936)	(175,270)	(209,223)
Total Operating Expenses	**(1,495,188)**	**(1,886,230)**	**(2,328,253)**	**(2,658,742)**	**(3,440,177)**
Operating Profit/(Loss)	**661,873**	**719,391**	**1,253,563**	**1,792,513**	**2,275,085**
Non-operating Expenses	(269,398)	(768,751)		(55,180)	(76,408)
Non-operating income	7,979	117	72,014	524	776
Finance costs	(183,662)	(212,922)	(222,494)	(277,504)	(428,990)
Profit/(Loss) Before Tax	**216,792**	**(262,165)**	**1,103,083**	**1,460,353**	**1,770,463**
Income Tax	(201,049)	(78,393)	(409,790)	(538,869)	(631,230)
Net Profit/(Loss)	**15,743**	**(340,558)**	**693,293**	**921,484**	**1,139,233**

Table 24

ICRA RATING ISO 9001 : 2015

BALANCE SHEET

Statement of Financial Position					
ZMW '000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Assets					
Non-Current Assets					
Property, Plant and Equipment	1,457,363	1,694,522	1,934,899	2,178,038	2,754,980
Capital work-in-progress	83,614	174,133	107,448	185,549	151,787
Right-of-use assets	612,556	635,585	523,490	686,389	632,310
Other non-current assets	152,704	174,675	183,225	150,449	268,477
Intangible assets	3,178	81,991	240,124	648,819	725,505
Deferred tax assets	28,696	126,063	18,874	-	-
Total Non-Current Assets	**2,338,111**	**2,886,969**	**3,008,060**	**3,849,244**	**4,533,059**
Current Assets					
Inventories	3,379	3,776	4,183	5,304	34,624
Trade receivables	57,042	37,675	64,098	80,047	75,167
Receivables from related parties	139,864	230,627	95,813	174,043	345,562
Contract Assets	30,445	23,239	33,439	40,345	41,725
Derivative financial instruments	6,750	8,658		57,130	152,529
Prepayments			105,286	260,469	169,722
Other Current Assets	100,974	159,473	45,840	58,178	70,637
Cash & Cash Equivalent	29,325	66,137	41,507	116,339	81,191
Total Current Assets	**367,779**	**529,585**	**390,166**	**791,855**	**971,157**
Total Assets	**2,705,890**	**3,416,554**	**3,398,226**	**4,641,099**	**5,504,216**
Equity					
Share Capital	1,040	1,040	1,040	1,040	1,040
Share Premium	24,962	24,962	24,962	24,962	24,962
Retained Earnings	(65,290)	(405,848)	287,445	647,329	413,762
Net Worth	**(39,288)**	**(379,846)**	**313,447**	**673,331**	**439,764**
Liabilities					
Non-Current Liabilities					
Long Term Bank Borrowing	521,062	264,817	328,698	500,250	1,060,158
Non-current Lease liabilities	947,291	1,313,275	842,734	832,102	765,703
Deferred tax Liability				111,942	229,509
Provisions					
Contract liabilities			6,558	6,000	5,442
Total Non-Current Liabilities	**1,468,353**	**1,578,092**	**1,177,990**	**1,450,294**	**2,060,812**
Current Liabilities					
Current maturity of long-term debts	173,688	529,633	205,120	330,000	402,643
Bank overdraft	224,179	187,971	241,440	764,410	879,707
Lease liabilities	155,327	256,135	225,331	284,632	421,290
Derivative financial instruments	6,085	3,094	39,241	636	-
Trade payables	306,806	557,322	503,100	392,207	454,642
Accrued expenses	17,888	39,757	21,222	21,698	19,347

Amounts due to related parties	152,577	370,191	269,442	312,693	256,156
Contract liabilities	79,667	101,829	118,221	135,062	142,117
Current income tax payable	80,415	83,935	159,242	137,477	178,585
Other tax payable	80,193	88,441	124,430	138,659	215,540
Provisions					33,613
Total Current Liabilities	**1,276,825**	**2,218,308**	**1,906,789**	**2,517,474**	**3,003,640**
Total Liabilities	**2,745,178**	**3,796,400**	**3,084,779**	**3,967,768**	**5,064,452**
Total Equity and Liabilities	**2,705,890**	**3,416,554**	**3,398,226**	**4,641,099**	**5,504,216**

Table 25

CASH FLOW STATEMENT

Statement of Cash Flow					
ZMW '000	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23
Operating Cash Flow					
Net Profit/(Loss) for the year	216,792	(262,165)	1,103,083	1,460,353	1,770,463
Finance income	(223)	(117)	(86)	(429)	(270)
Finance costs	183,662	212,922	222,494	277,504	428,990
Depreciation and amortisation	388,959	417,804	506,572	590,429	766,575
Impairment loss on trade receivables	5,926	4,812	3,317	3,369	13,377
Net exchange losses	269,398	768,305	(71,844)	55,180	76,408
Gain on disposal of property, plant & equipment	(7,756)	446	(84)	(95)	(506)
Other adjustments	(4,790)	(5,019)	(2,313)		
OCF before WC adjustments	**1,051,968**	**1,136,988**	**1,761,139**	**2,386,311**	**3,055,037**
Increase in trade and other receivables	(17,931)	(76,208)	140,652	(101,425)	(77,418)
Increase in inventories	(2,704)	(397)	(407)	(1,121)	(29,320)
Increase/(decrease) in trade and other payables	(56,868)	489,999	(121,598)	(55,379)	9,937
Increase in other current and non-current assets	(78,721)	19,961	(10,403)	(141,651)	(41,120)
Decrease in other liabilities	5,664	27,763	(266,858)	(54,961)	(78,235)
Changes in working capital	**(150,560)**	**461,118**	**(258,614)**	**(354,537)**	**(216,156)**
Cash Used in Operations	**901,408**	**1,598,106**	**1,502,525**	**2,031,774**	**2,838,881**
Income tax paid	(185,707)	(172,240)	(227,294)	(429,818)	(469,821)
Net Operating Cash Flow	**715,701**	**1,425,866**	**1,275,231**	**1,601,956**	**2,369,060**
Investing Cash Flow					
Purchase of property and equipment	(470,293)	(614,963)	(555,698)	(711,149)	(1,043,817)
Interest received	223	117	86	429	270
Proceeds from disposal of property & equipment	12,881	434	40,471	1,683	506
Purchase of intangible assets			(192,398)	(458,345)	(232,992)
Net Investing Cash flows	**(457,189)**	**(614,412)**	**(707,539)**	**(1,167,382)**	**(1,276,033)**
Financing Cash Flow					
Proceeds from borrowings	636,250	36,418	240,000	710,250	990,000
Repayment of borrowings	(708,875)	(384,437)	(403,494)	(413,818)	(357,448)
Interest paid on borrowings	(61,700)	(59,688)	(73,377)	(157,207)	(303,491)
Interest paid on lease liabilities	(121,962)	(153,234)	(149,117)	(120,297)	(125,499)
Repayment of lease liabilities	(127,905)	(165,390)	(261,252)	(347,191)	(337,591)
Dividends paid to shareholders				(561,600)	(1,372,800)
Net Financing Cash Flow	**(384,192)**	**(726,331)**	**(647,240)**	**(889,863)**	**(1,506,829)**
Net +/(-) Cash Flows	**(125,680)**	**85,123**	**(79,548)**	**(455,289)**	**(413,802)**
Cash and cash equivalents at beginning of the year	(191)	(125,380)	(121,834)	(199,933)	(648,071)
Effects of currency translation on cash & cash equivalents	491	(2,302)	1,449	7,151	263,357
Closing Cash Balance	**(125,380)**	**(42,559)**	**(199,933)**	**(648,071)**	**(798,516)**

Table 26

GLOSSARY

&	:	*And*
bn	:	*Billions*
c.	:	*Approximately*
CAGR	:	*Compound Annual Growth Rate*
CAPEX	:	*Capital Expenditure*
CEO	:	*Chief Executive Officer*
cf.	:	*Compared to*
CFT	:	*Combating the Financing of Terrorism*
D&A	:	*Depreciation and Amortization*
EBIT	:	*Earnings before Interest and Tax*
EBITDA	:	*Earnings before Interest, Tax , Depreciation & Amortization*
etc.	:	*Et cetera*
FYxx	:	*Financial Year ending 31-Dec-202X*
GDP	:	*Gross Domestic Production*
ICRA	:	*International Credit Rating Agency*
ISO	:	*International Organization for Standardization*
k	:	*Thousands*
KYC	:	*Know Your Customers*
m	:	*Ms*
MOU	:	*Memorandum of Understanding*
Na or N/A	:	*Not Applicable*
OPEX	:	*Operating Expenses*
PPE	:	*Property, Plant and Equipment*
ppts	:	*Percentages points*
ROCE	:	*Return on Capital Employed*
tn	:	*Trillion*
USD	:	*United States Dollar*
VR	:	*Virtual Reality*
vs.	:	*Versus*
x	:	*times*
y/y	:	*Year over Year*
ZMW	:	*Zambian Kwacha*

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